

Beefing about the single currency

It has been amazing in the last few weeks to observe the Europeanisation of the British beef crisis. At first, BSE by itself was bad enough - the sad pictures of the young victims of Creutzfeld-Jacob disease, the horrifying health risks to everyone, and the evidence creeping out of the effects of deregulation, secrecy, and poorly enforced safety standards. Agribusiness seems to have been engaged in more-than-usually unnatural practices to have turned cows into carnivores.

Then the Government and its remaining allies in the press decided to blame the European Union for the ensuing crisis in the beef industry, despite the fact that mad cow disease is most prevalent in England, not on the continent, and despite the fact that it is consumers, not politicians, who have been shaping events (as Tim Lang's article explains). Continental consumers have apparently been continuing to refuse beef of all kinds, regardless of its national origins, even whilst British consumers have gone back to their home-grown burgers and joints. But there is evidence that what began its life as an absurd (if calculated) xenophobic tantrum may have found a strong echo in British public opinion. It is reported that many in Britain blame the EU for the BSE problem, and are now eating beef for Britain (though not all *Soundings* editors can bring themselves to believe this). Perhaps the very idea of mad cow disease has destabilised the public mind.

It seems that anxieties about contamination and impurity provoked by the threat to the national diet have run somewhat wild. It has been found convenient

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to displace blame for the shambles of deregulation of the food industry on to 'Europeans' who have, after all, only been taking seriously the warnings issued by British scientists. Britain's 'rights' (to sell beef to consumers who don't want it, or to put it on President Chirac's menu at the Palace) are said have been violated. Reactions to these insults to the national dignity then became caught up in defence of a slightly more substantial idea, that of British 'sovereignty', whose endangered emblem at this point, with the EMU in the offing, is the pound. In this atmosphere, public opinion is reported to have moved against the idea of British membership of the single currency.

Thus by a strange alchemy, the foreign refusal of one British totem has been transmuted into the threat to another. In its relation to the beef crisis - in the profit-seeking of yet another deregulated industry and the Government's anxiety not to lose revenue and prospective tax cuts from this - the prime agency of money was largely repressed. When money then reappeared, as an anxiety about the preservation of 'the pound in your pocket', it was as an equally phantasmic form. It is hard to conduct rational political debate in these terms.

It is odd that British sovereignty is felt to be endangered by the fact that Continental consumers are not allowed to buy British beef, even assuming that they want to, or would be wise to do so, in present circumstances. This might seem to be more of a problem for *their* sovereignty than ours - what the British Government really seems to want is for Continental governments to be *forced* to accept British beef imports by directive from Brussels. Appeal was being made to the European Court to make a judgement to this effect, though its outcome at the time of writing is unknown.

One thing should be said from the outset, and that is that neither side in the debates about the Single Currency and the European Union uses the term sovereignty in ways which clarify very much. Sovereignty is yet another of those words, like democracy and freedom, which are regularly called upon in political debate, but whose meaning is rarely examined. Indeed, it is the contest over *which* meaning of such words is to prevail which is, or should be, the real political issue. It is, for instance, rarely pointed out that those who wax lyrical about British beef, and scorn the meddling of European bureaucrats, can often be found blithely to have given up a host of other aspects of this venerated sovereignty. They support free trade and free movement of capital (though not of non-European people) across national borders. They are willingly subservient to international bodies or

foreign governments of which they approve. Michael Portillo may not be able to tolerate the idea of the British military taking orders from 'Brussels', but he can imagine its involvement in Bosnia *only* under a NATO command. Mrs Thatcher, passionate defender of the sovereignty of this nation, on arrival in 10 Downing Street promptly abolished exchange controls. In moves such as this, government ministers promote the trend towards globalisation which in the next breath they will use as an excuse for the incapacity of the national state to act in defence of its people's livelihoods. It is policies such as these which have largely undermined 'our sovereignty as a self-governing nation'. The duplicities involved in all this are bad enough. Perhaps even worse is that they so frequently remain unchallenged.

Structuring debates around binary divides, forcing them into simple formulae of either/or - when in fact the terms at issue are themselves by no means clear, or when the actual difference of interpretation of those terms never itself surfaces - is of course an endemic characteristic of party politics. It has become even more marked in an age when political communication is so dominated by the soundbite. It is not only that details and nuances are omitted, but that the whole structure of the question may be distorted.

This is one element in what is happening in the current debate about the single European currency. The question is often reduced to an either/or - are you in favour of a single currency or are you not? And here too the grounds of choice are all-too-frequently reduced to the frame of 'sovereignty' alone.

Now of course there *are* issues of sovereignty involved in the question of whether or not the United Kingdom should join in any single European currency. There is, for instance, an important argument which would link economic sovereignty and democracy. This would say that the most significant element of policy control should reside at the level of political power to which there is the greatest democratic input, and which functions under the strongest conditions of public accountability. At the moment, this might amount to an argument *against* joining a single currency, since it is at the level of the nation state rather than of 'Europe' that democratic accountability is still strongest. These are important arguments: they raise the issue of what is meant by sovereignty (sovereignty for whom - the state or the people?); they point to its non-absolute nature (power is inevitably distributed between levels); and they hold open the possibility that the most appropriate levels for different policies may change over time (the democratic input into European institutions, for instance, might one

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day be greater than it is now).

This, however, is still to remain within the framework of 'should we join or should we not?' - the question which any potential referendum might put. Behind that question, though, lie deeper issues, of the nature of the arrangements for the single European currency as now proposed. The EMU is one element only in the construction of the European Union. But it is a significant one, and the nature of the agreement made about it will influence the character of that broader Union.

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What needs to be addressed is the character of the European social settlement to which the currency, with all its attendant convergence criteria and regulatory mechanisms - will contribute. One cannot run away from the currency issue, but it is unfortunate that it is now defining the terms of public European debate.

As things stand at present, there is a grave danger that the arrangements for a single currency would enlist member governments within a dangerously neo-liberal framework of policy-making. As Keith Middlemass has put it, 'EMU and the creation of an ECB (European Central Bank) could also lead, even in the preliminary stages, not only to increasing political power for central bankers and a regime of deflation comparable to those in Europe after 1921, and in the developed world generally after 1931, but to the entrenched dominance of giant firms.'¹

This does not mean, however, that one must be against a single currency in principle. For what should be debated is not only *whether* a single currency, but *the terms* of any such currency. The Maastricht criteria are famous for being about 'convergence'. But it is a particular notion of convergence. Interest rates, inflation rates, current government deficit and total outstanding level of debt have to be brought into line, it is said. The criteria of convergence do not require (though the word itself might make one think otherwise) any movement towards greater economic equality. Most obviously, levels of unemployment do not figure. Moreover, once a country has joined the currency, under the proposals as they now are, it might be less able to tackle the problems of inequality. In principle, a single currency could provide an extra degree of freedom - governments wishing to increase

1. Keith Middlemass, *Orchestrating Europe*, Fontana, London 1995, p 554-

spending and borrowing, for instance, could spread their debt around Europe. However, it is precisely to deter such behaviour that binding rules of economic management are being defined. In principle, it is also possible for there to be a major redistribution of resources across Europe, which might address these issues. But since the departure of Delors, such a programme looks less likely. And - to return again to the nature of sovereignty - there is insufficient accountability at a European level to make the Union responsive to democratic political pressures for redistribution. Thus, the combination of fulfilling the Maastricht criteria, and of subsequently submitting to the norms of management of the European economy, would be likely to lock into the system at least the levels of inequality - both within and between nations - which currently exist. (It is interesting that a number of financial spokespeople - including Eddie George - have recently mooted the possibility of including unemployment within the criteria. Whether such musings arise from political positioning, or from bankers' judgements that the levels of inequality in the system might be unsustainable economically or socially, is itself an interesting question.)

It is a fact of life that the particular form of national sovereignty that dominated the post-war order has been eroded. We can now recognise its particular benefits - in providing an insulating barrier within which a social settlement, including a welfare state, could be constructed - in the damage brought about by its disappearance. It was *because* the powers of the state were being deployed to some degree against capital, and on behalf of ideas of social justice, that the Thatcherite revolution was so hostile to certain aspects of national sovereignty, and so systematically dismantled the power of government to protect the people against market forces. The failure of Mitterrand's interventionist programme in 1981 was a cause for complacent celebration on the right in Britain, since it showed that the social democratic form of national sovereignty was now seemingly dead. The later difficulties experienced even by Sweden in maintaining its welfare state - the most egalitarian social settlement in Western Europe - then forced the point home.

There is no going back to what might now seem a golden age. Least of all for Britain, whose long-standing competitive weakness gives one no reason to believe in a dream of democratic socialism in one country *here*. In an international environment now so dominated by market forces, the nation state has become a less reliable shelter against economic adversity. Labour governments have rarely been courageous in their response to international market pressures, and New

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Labour will begin with weaker powers at its disposal than its predecessors. Left wing nationalism does not offer a plausible economic perspective.

Nor can or should cultural identities in what are now multi-ethnic communities, consisting of increasingly widely-travelled and multi-lingual citizens, be forced back into a neo-traditional national shape. Roast beef is only one of the dishes that is now regularly on the British menu; it shares its place on a daily basis with recipes from many lands. Right-wing hostility to Europe goes, we note, with equal dislike of the plural identities and peoples that in reality comprise 'Britain'.

The European Union, in this situation, should thus be an object more of hope than of fear. It was and remains in its conception a plural, multi-national entity. Although there is certainly the possibility of a new kind of Euro-chauvinism being constructed in opposition to a non-Christian and non-white 'Other' beyond its boundaries, this need not happen. The large size of the European market might in principle make possible more effective kinds of market regulation and social protection than are now feasible for isolated national economies. The EEC and the European Union were constructed first as a customs union, then as a single market, privileging the 'level playing field' for the flow of capital, commodities and markets, over more social values. Nevertheless, the national governments most committed to the Union have not so far dismantled their welfare systems with Thatcherite zeal. There are embryonic mechanisms in the EU for social redistribution - including funding streams from which many deprived areas in Britain now benefit. The debate about the Social Chapter showed that working people's rights and entitlements *could* form part of the concept of fair competition across Europe. Britain's opt-out weakened the whole conception - and enabled others in Europe to appear more progressive than they were - but also sought to define Britain's distinctive comparative advantage as a country of low wages and weak social protection. Although it has been unfortunate that the Common Agricultural Policy has been by far the most robust form of market regulation in Europe, even this has shown that markets in the European Union need not always be sovereign.

The real argument is about what kind of Europe should be built. There is the possibility of strengthening Europe's democratic institutions - for example, its Parliament, or even through a directly elected President of the Commission. And of giving priority to economic goals of consistent growth, environmental protection, and social justice, within a mixed economy in which both markets and democratic

governments have major roles. It is in this wider context that debate about the single European currency should be taking place. The crucial debate *is* about convergence criteria between member nations - but not about whether we or anyone else now meets them, but about what these should be. The convergence criteria need to be re-written, to include acceptable levels of employment, minimum incomes, and social entitlements, not merely those of rates of inflation and public debt.

Moreover, the prospective single currency is but one element in the construction of 'Europe'. The question of democratic structures should also be central. To give priority to a single currency is to promote a Central Bank as *the* dominant European institution. There are major questions to be addressed concerning the accountability of this bank itself, and there needs to be more than one locus of power in a democratic Europe.

The political left is not as powerless in this situation as it might sometimes seem. Poorer and more social democratic members, and potential members, of the European Union, have already had some leverage on policies of redistribution and the nascent social agenda. It was probably no accident that the social agenda arose when enlargement was being negotiated, and referenda had to be won (or lost) in several countries. And because the nationalist right is now so hostile to European institutions, a consensus which would support the development of such institutions needs now to include at least some of those on the left. (In Italy, for example, after the recent elections, Rifondazione Comunista holds a balancing number of seats in one House, and can have a some say in Italy's European policies.) There is scope across Europe to begin the exploration of a broad social and economic agenda for a federal European Union, which would transfer power downwards to regions and cities as well as upwards to federal institutions. We shall pursue these issues further in the pages *of Soundings*.

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